machinery is being created for the manufacture of munitions and other stuff needed for the war, and a large part of this new machinery ought to be available as industrial capital when the war is over. Those people who talk so glibly of the enormous destruction of capital by the war are surely making a mistake common to minds which look at economic questions through a financial telescope, mistaking money for capital. They see that an enormous amount of money is being spent on the war, and they jump to the conclusion that this money, if not spent upon the war, would have been put into capital investments and so have increased the tools and equipment of industry. In fact, a great deal of the money now spent upon the war would have been spent, if there had been no war, not upon increasing the equipment of production, but upon purely frivolous and extravagant consumption. There is no need to dwell on the effect of war in reducing many kinds of expenditure on which hundreds of millions must have gone in peace time, and this restriction of extravagant consumption has to be deducted before we even admit, not that all money spent upon the war is destroyed capital, but even that all the money spent upon the war is destroying what might otherwise have become capital.

If, then, it is true that the war is not making a

very terribly substantial inroad upon the mass of existing capital, how is it going to affect the supply of capital in the future ? To answer this question we have to see how capital is created. The answer to this question is very simple, very obvious,